

UCSC Sponsored Assistance Programs

Incoming Assistant or Associate Professors who have accepted a position with The University of California, Santa Cruz Campus effective July 1, 2008, or later have the option of selecting one of the following two programs to assist in their transition to the Santa Cruz Area. Either of these programs may be used in conjunction with the Mortgage Origination Program (MOP) loan.

A) Recruitment Allowance

The Recruitment Allowance is a cash payment (funded by the Campus and Academic Division) that is to be used by the recipient to defray housing expenses. Up to \$50,000 could be allocated, and the amount can be taken as a lump-sum, or as a series of monthly payments. If taken as a single payment, the Recruitment Allowance will assist with down payment proceeds needed for the purchase of a home. If taken as multiple payments over the course of two years or more, the Recruitment Allowance is considered additional income by the MOP underwriters, and will allow recipients to obtain more financing than they could obtain on their household incomes alone.

The Recruitment Allowance is considered taxable income and a recipient can expect to lose roughly 1/3 of the gross amount to taxes.

B) LIO-SHLP

The “Low-Interest Option” Supplemental Home Loan Program (“LIO-SHLP”) is low-interest mortgage assistance that is funded by the campus. Funds from the LIO-SHLP can be used in conjunction with the MOP, provided that the aggregate amount of financing does not exceed 95% of the purchase price of the home. Additionally, the amount of LIO-SHLP cannot exceed 10% of the purchase price of a home.

For Example, a qualified buyer could opt to use up to \$75,000 in LIO-SHLP funds to purchase a home priced at \$750,000. If the buyer wanted to use the entirety of this LIO-SHLP allocation, he/she would need to have 5% down payment in cash (\$37,500), and the remaining balance could be funded by the MOP loan.

Alternatively, a qualified buyer could opt to use up to \$40,000 in LIO-SHLP funds to purchase a home priced at \$400,000. If the buyer wanted to use the entirety of this LIO-SHLP allocation, he/she would need to have 5% down payment in cash (\$20,000), and the remaining balance could be funded by the MOP loan.

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Faculty and Staff Housing Office
Telephone (831) 458-3506
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Revised-12/18/07

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Additional details about these two programs are included with the following table:

Program Considerations	Recruitment Allowance	“Low-Interest Option” Supplemental Home Loan Program (LIO-SHLP)
I. Program Purpose	Income assistance to defray the financial impact of housing costs.ⁱ	Low interest loan assistance to defray the financial impact of a home purchase.
II. Source of Program Funds	The Academic Division and Campus	Campus Funds
III. Allocation Amount	Up to \$50,000	Up to \$75,000ⁱⁱ
IV. Tax Implications	Taxable Incomeⁱⁱⁱ	Tax Deductible^{iv}
V. Financing Costs	None	3% interest/year (fixed-rate).^v
VI. Compatibility with MOP Financing Requirements	<p style="text-align: center;"><u>Down payment</u></p> <p>Recruitment Allowances that are taken as a lump-sum are frequently applied to help buyers with their MOP down payment requirements.^{vi}</p> <p>Net proceeds from a typical Recruitment Allowance will make a minor contribution to a down payment for a market purchase, and will make a moderate to significant contribution to a down payment for an on-campus purchase.</p> <p style="text-align: center;"><u>Income- to-Debt Ratio</u></p>	<p style="text-align: center;"><u>Down payment</u></p> <p>While the MOP loan will finance up to 90% of the purchase price of a home, a MOP+ LIO-SHLP arrangement will finance up to 95% of the purchase price of the home.</p> <p>LIO-SHLP loans that exceed 5% of the purchase price of a home are commonly used to “buy-down” MOP loan amounts^{vii} in order to reduce the total interest paid as well the risk of rising interest rates.</p> <p style="text-align: center;"><u>Income- to-Debt Ratio</u></p>

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Program Considerations	Recruitment Allowance	“Low-Interest Option” Supplemental Home Loan Program (LIO-SHLP)
	<p>Recruitment Allowances that are paid over 24 monthly payments (or more) are considered as additional income by MOP underwriting standards. This additional income makes it easier for the borrower to qualify for higher loan amounts.</p>	<p>Payments on a LIO-SHLP loan would either increase a borrower’s monthly debt obligation (if the loan is applied to down payment) or have little to no effect on a borrower’s monthly debt obligations (if the loan is used to reduce the amount of MOP financing).</p> <p>Borrowers may structure their payments to meet their financial goals. For example, a borrower could receive an “interest-only^{viii} loan” or have it fully amortized.</p>
<p>VII. Repayment Obligations</p>	<p>The recipient of a Recruitment Allowance must repay the campus should they not serve the campus for a minimum period of time.^{ix}</p>	<p>Maximum amortization period is 10 years.</p> <p>The loan becomes due and payable if the borrower is no longer employed by the campus, or if the place or residence is sold or refinanced.</p>
<p>VIII. Eligibility</p>	<p>Recipients must be members of the Academic Senate who are within two years of appointment to the campus.</p>	<p>I. Recipients must be a member of the Academic Senate, AND EITHER:</p> <p>(A) A Current homeowner within the Faculty and Staff for-sale program; OR</p> <p>(B) An Assistant or Associate Professor who has not owned a primary residence in the Campus Area.</p> <p>II. The LIO-SHLP must be used to purchase an Eligible Residence.^x</p>

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Program Considerations	Recruitment Allowance	“Low-Interest Option” Supplemental Home Loan Program (LIO-SHLP)
IX. Application	Contact your Academic Dean.	Contact the Faculty and Staff Housing Office or Complete an application

ⁱ recipients may also use the allowance for childcare expenses, education or tuition assistance, or similar expenses

ⁱⁱ Eligible New Assistant or Associate Professors can borrow up to \$75,000, or 10% of the purchase price of an eligible residence (whichever is less).

ⁱⁱⁱ The Faculty Recruitment Allowance is considered wages for the purposes of Federal and State tax reporting and withholding and for Social Security taxes, workers’ compensation, and unemployment benefits. Per MOP underwriting guidelines, 35% of Recruitment Allowance is assumed to be lost to taxes if taken as a “lump-sum” payment.

^{iv} Mortgage interest is tax deductible. A LIO-SHLP borrower could deduct approximately 28-35% of their paid mortgage interest from their tax obligations (depending on their tax bracket).

^v Standard note length is 10 years. Borrowers can choose between interest only and fully amortized payments. There is no prepayment penalty

^{vi} The MOP will not finance more than 90% of the purchase price of a home.

^{vii} LIO-SHLP loans are written at a fixed 3% interest rate and can be amortized up to 10 years. MOP loans are adjustable rates-the current rate is 4.95%.

^{viii} Interest Only payments require a “balloon” payment of the full loan balance at the end of the 10 year amortization period.

^{ix} Minimum time period is set by the Academic Division. 4-5 year requirements are most common. Recipients are instructed by the Division that they must repay prorated allowance amounts for time served less than the requirement.

^x Eligible Residence shall mean a Single Family Residence located within Santa Cruz County, or if necessary, a purchase within the contiguous counties to Santa Cruz (Monterey, San Benito, San Mateo and Santa Clara).

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